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DEPT FOR WHA/CEN - ROIS BEAL

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TAGS: [PGOV](#) [EFIN](#) [PREL](#) [PINR](#) [BH](#)
SUBJECT: BELIZE DEMANDS RETURN OF FOREIGN GRANTS

REF: Belmopan 130

¶1. (U) Summary. The newly elected government of Belize recently discovered that Venezuela and Taiwan had each granted US\$10 million to the GOB. While ostensibly for housing construction and social programs, the funds were diverted by the previous Prime Minister to the privately held Belize Bank to repay a private hospital debt guaranteed by the GOB in 2006. The current government has expressed concerns about the legality of the financial transactions and the Belize Central Bank has demanded the Belize Bank return the US\$10 million from the Venezuelan grant and provide an accounting of the Taiwan grant. End Summary.

THE UHS GUARANTEE

¶2. (U) During the previous administration, former Prime Minister Said Musa signed a public debt guarantee on behalf of a private hospital, Universal Health Services (UHS). The guarantee required taxpayers to assume an undisclosed amount of private debt. Musa's authority to enter into the debt agreement without National Assembly approval is currently being challenged in a pending Supreme Court case. The disclosure of the deal was a major political embarrassment, and contributed to the government's defeat in the February 7 election..

¶3. (U) In order to save the debt ridden hospital, the government first announced that it would purchase UHS. As part of this process, the government assumed additional debt on behalf of UHS with the Belize Bank and also waived money owed by UHS to the government-run Development Finance Corporation. The total amount of private debt assumed under the debt guarantee remains unclear but is estimated to be approximately US\$45 million.

THE FOREIGN GRANTS

¶4. (U) Just prior to the elections, the Government of Belize received a US \$10.0 million grant from the Government of Venezuela. The money was earmarked for home investment and social projects. The outgoing government went on a spending spree and disbursed US\$10 million in the run up to the February election sparking accusations of vote buying (REFTEL). After the election, the newly elected government discovered that the Venezuelan grant was in fact US\$20 million (US\$10 million more than reported) and that Taiwan had also granted US\$10 million to the GOB in late 2007.

¶4. (U) The extra US\$20 million in grants were diverted to the Belize Bank to repay UHS debt. The financial transactions were complex with multiple transactions moving through charitable trusts and banks in several countries. The funds were also used to lend prospective new owners capital to purchase UHS. The current government has

expressed concern about the legality of the transactions and has commissioned a special legal team to investigate whether the money can be returned. The debt payment allowed a private group of investors to purchase UHS at a fraction of the original debt owed. UHS is currently under new management.

15. (U) On March 18, the Central Bank of Belize demanded the return of US\$10 million from the Venezuelan grant. The bank also issued a directive seeking documentation regarding the funds transferred from Taiwan. Both grants were directly transferred to the Belize Bank instead of the government's account at the Central Bank of Belize - a possible violation of the Finance and Audit Act. Local press reports note a "contentious and stormy" meeting took place between Prime Minister Barrow and Belize Bank principal Lord Michael Ashcroft where Barrow demanded a refund of the Venezuela money.

Comment

16. (U) The Belize Bank is run by a very savvy businessman and the GOB is unlikely to see a return of funds without a protracted and costly legal battle. More likely, the incident will be left to smolder in the headlines stoking ongoing frustration with the excesses of the previous government. End Comment.

DIETER